

INTRODUCING THE INSTITUTIONAL EURO ASSETS LIQUIDITY FUND

BLACKROCK®

Challenge

The Institutional Euro Assets Liquidity Fund (EALF), part of the BlackRock Institutional Cash Series (ICS) range of Money Market Funds (MMFs), is designed with the current Euro money market challenges in mind:

- ▶ Prolonged ultra low interest rates
- ▶ Diminishing supply of investable short dated MMF instruments
- ▶ Decreasing bank appetite for cash balances
- ▶ Plethora of sovereign and bank ratings downgrades

Potential solution

The above issues have caused our clients to search for solutions in addition to BlackRock's range of existing MMFs, and in response, we have created a fund that adopts the same risk-controlled investment approach and the same operational characteristics of our existing Euro Institutional Liquidity Fund (ILF) but is not constrained by the parameters of an external credit rating agency.

What is the Euro Assets Liquidity Fund?

The primary objective of the fund is to step away from the inflexible requirements imposed by the ratings agencies on AAA-rated MMFs, mainly the 5% per issuer limit and restrictive spread duration limits. This in turn will allow the fund to fully utilise BlackRock's approved issuer list and unique capabilities: 45 credit analysts dedicated to fixed income worldwide and superior risk management which has made BlackRock a MMF provider of choice throughout the recent credit crises.

Why invest in the Euro Assets Liquidity Fund?

- ▶ The absence of an external fund rating allows for the following:
 - Increased flexibility and reduced constraints on the portfolio managers in an environment where the supply of eligible issuers is at historically low levels. This enables us, for example, to extend duration on investments our analysts assess as stable over the longer term, or increase allocation to a low-risk issuer beyond that permitted by rating agencies.
 - Bring the ‘Best of BlackRock’ into the portfolio. We utilise BlackRock’s proprietary technology and extensive stress testing methodology to build a superior portfolio that is adjusted to the current money market investment environment that the rating agencies have not amended their guidelines for.
 - Improved risk diversification opportunities.
 - The additional flexibility means that the Fund may be able to provide an attractive yield differential compared to both EONIA and our existing Euro ILF, whilst not increasing the Fund’s risk profile.

How does it compare with the existing BlackRock Euro Institutional Liquidity Fund (ILF)?

The new fund will follow an identical investment process to the Euro ILF with the same structure, investment policy, portfolio managers and benchmark.

From a risk perspective, there will be no names in EALF that are not in the Euro ILF rated fund and vice versa. Therefore from a bottom up perspective, EALF would not hold assets that aren’t already held in the rated fund. What is different is the concentration in the names that have strong conviction and we believe offer value.

EALF is designed to complement, not replace the existing Euro ILF. As such, it could be considered by investors who are seeking additional returns with a full understanding of BlackRock’s credit risk management approach and do not require an external MMF rating from a rating agency.

	INSTITUTIONAL EURO LIQUIDITY FUND	INSTITUTIONAL EURO ASSETS LIQUIDITY FUND	COMPARISON
Fund rating	AAAm (S&P), Aaa-mf (Moody's)	None	Rated fund vs. Non-rated fund
Credit approved list	Subject to BlackRock's extensive credit management process. All investments must be on the global BlackRock 'approved list'.	Subject to BlackRock's extensive credit management process. All investments must be on the global BlackRock 'approved list'.	Same list of approved securities.
Max. WAM	60 days	60 days	Same WAM limits
Max. WAL	120 days	120 days	Same WAL limits
Max. maturity	397 days (13 months)	397 days (13 months)	Same maturity investments
Yield	Average for Q3 2013 – 0.12%	Average for Q3 2013 - 0.19%	On average EALF has a 7bps pick up over the Euro ILF.
Min. issuer credit rating	One of the two highest available short-term credit ratings as per ESMA's Short Term Money Market definition. All underlying securities have a minimum long-term rating of A3 or equivalent as deemed by the manager.	One of the two highest available short-term credit ratings as per ESMA's Short Term Money Market definition. All underlying securities have a minimum long-term rating of A3 or equivalent as deemed by the manager.	Same extensive internal credit management process.
Issuer diversification (not incl. gov't)	Max 5% per issuer.	UCITS 5% / 10% / 40% rule – a maximum of 10% per issuer, and investments more than 5% with a single issuer may not make up more than 40% of the whole portfolio.	EALF has a more flexible concentration.
S&P restrictions*	<ul style="list-style-type: none"> ▶ Max. 5% per issuer- increases to 10% per bank for time deposits if no other term exposure ▶ Securities must have a short-term rating of at least A-1 (or A+ long-term) ▶ Min. 50% A-1+ or A-1 securities maturing in 5 business days ▶ Max. 100% per sovereign entity rated AA- or higher ▶ Max. 33% per government related/ guaranteed entity rated AA- or higher ▶ Max. WAL of 90-120 days based on the proportion of FRNs from sovereign/sovereign-related issuers and rated AA- or higher 	Not subject to S&P criteria.	EALF: <ul style="list-style-type: none"> ▶ Not subject to strict 5% issuer limit ▶ More short-term rating flexibility ▶ Maximum allowable WAL does not drop below 120 days based on sovereign/ sovereign related FRNs.
Moody's restrictions**	Analytical Rating Methodology: <ul style="list-style-type: none"> ▶ Moody's credit rating profile looks at long-term rating of issuer and days to maturity of exposure (can invest in P-2 rated issuers) ▶ Moody's portfolio stability profile applies stress test to fund which includes: <ul style="list-style-type: none"> – 100bps yield curve shift applied to all securities – An increase in credit spreads ranging from 100bps for Aa2 rated securities to 900 bps for A3 securities – 50% overnight redemptions 	Not subject to Moody's criteria.	Removal of Moody's stress testing allows EALF to leverage the strong internal risk management stress tests and scenario analysis.

* S&P Methodology: Principal Stability Fund Ratings, June 2011

** Moody's Revised Money Market Fund Rating Methodology and Symbols, March 2011

How do I invest?

EALF has exactly the same operational considerations as the other funds in our ICS fund range and the same CNAV treatment of \$, £, € 1.00. It also has the same Administrator and Custodian (J.P. Morgan).

Clients with an existing account will not need to open a new account to invest in EALF.

DEALING DEADLINE	SETTLEMENT
1.00 p.m. Irish time	T+0 4:00 p.m. (Irish time)

For new investors or for more information, please use the contact details below to request an account opening form or contact your relationship manager.

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